BPO PROPERTIES

Annual Report 2002

STRONG FINANCIAL PERFORMANCE

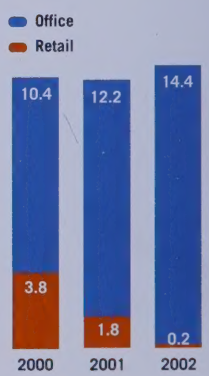
Our strategic focus on the acquisition, ownership and management of premier real estate properties delivered growth in funds from operations before gains of 8% in 2002, and positioned BPO Properties for continued leadership in our core office markets.

FINANCIAL HIGHLIGHTS

All amounts expressed in Canadian dollars

(millions, except per share information)	**2002**	2001	2000
Portfolio of commercial properties			
Book value	**$ 1,122**	$ 1,448	$ 1,642
Net rentable area (sq. ft.)	**15**	14	14
Results of operations			
Revenue	**$ 293**	$ 347	$ 306
Funds from operations and gains	**220**	173	109
Net income	**167**	107	56
Financial position			
Total assets	**$ 1,976**	$ 2,001	$ 2,028
Shareholders' equity			
Preferred equity	**382**	382	382
Common equity	**800**	644	555
Debt to total capitalization	**40%**	49%	51%
Per common share			
Funds from operations and gains	**$ 7.34**	$ 5.42	$ 2.94
Net income	**5.47**	3.12	1.17

Commercial Property Net Rentable Area
(millions, sq. ft.)



Funds From Operations and Gains
(per common share)

TO OUR SHAREHOLDERS

Dear shareholders,

We look back on 2002 as both a challenging and rewarding year for the company. BPO Properties performed well despite the turbulence in the capital markets and uncertain economy. Our strategy of owning premier office properties in the downtown core of select Canadian cities, leased to high-quality tenants with long-term leases proved to be the right one, enabling us to deliver on our operating and financial performance objectives.

On behalf of our team, I am proud to share with you the operational and financial highlights for 2002 and our strategy for continued strong financial performance into 2003 and beyond.

Strong Financial Results

BPO Properties achieved growth in funds from operations before disposition gains of 8%, representing $3.98 per share in 2002. Including the gains realized from the sales of 50% interests in Bankers Hall in Calgary and Exchange Tower in Toronto, the company's funds from operations per share totalled $7.34, compared with $5.42 in 2001. Net income per common share during 2002 increased to $5.47 compared with $3.12 in 2001.

Over and above our results from operations, our higher earnings for 2002 were fueled by gains on the sale of partial interests of mature office properties generating gains of $96 million and $213 million in capital. These transactions demonstrate our strategic focus of creating value through proactive leasing and asset strategies, re-leasing of space at higher market rents, and opportunistic lease take-backs, and the subsequent disposition of fully-valued assets and select property acquisitions.

Building Value

Creating value for shareholders drives every business decision we make, and this year, through innovative partnerships, acquisitions and opportunistic capital initiatives, we achieved the following:

- *Sold a 50% interest in the company's Bankers Hall complex in Calgary* to an institutional investor. This transaction generated net proceeds of $113 million, net of non-recourse debt on the property, based on a sale price of $304 million. Bankers Hall is a 94% leased, 2.2 million square foot premier office development in the heart of downtown Calgary, which features twin 44-storey office towers atop a four-storey retail podium. Acquired in mid-2000 with over 400,000 square feet of vacancy and with one of the two towers still under construction, BPO Properties leased the vacant space at rates higher than projected, acquired the land leases under the property, and subsequently finalized a long-term refinancing for the property. This transaction follows the sale of a 50% interest in Fifth Avenue Place in Calgary in 2001 and represents the culmination of the repositioning of the Calgary office portfolio.
- *Sold a 50% interest in the 1.1 million square foot, 36-storey Exchange Tower in downtown Toronto* to two Canadian pension funds. This transaction was based on a valuation of approximately $160 million for the undivided 50% interest, generating proceeds of approximately $90 million, net of non-recourse debt on the property and a gain of $65 million. Acquired in 1997 with a 15% vacancy, BPO Properties upgraded and renovated the elevators, lobby and retail concourse, increased occupancy to 98% and completed a long-term refinancing in 1999 for the property equal to the acquisition price in 1997.
- *Acquired a 20% interest in Gulf Canada Square in Calgary* for $35 million. This 20-storey, 1.1 million square foot office property is adjacent to the Bankers Hall complex, enabling management to implement operating efficiencies within these projects.
- *Acquired a 50% interest in Atrium on Bay in Toronto for $68 million or $126 per square foot.* Located in downtown Toronto, at the corner of Yonge and Dundas Streets, this 91% leased property has 1.1 million square feet of premium space in twin office towers atop a two-storey retail podium.

- *Purchased remaining 45% interest in 105 Adelaide Street in Toronto* for $17 million and completed a subsequent financing of the building for $26 million. This 100% leased,12-storey, 184,000 square foot office property is adjacent to BPO Properties' Exchange Tower, consolidating our market presence in the downtown core of Toronto.
- *Leased approximately 1.2 million square feet of space*, despite the generally slower leasing environment. Occupancy within the portfolio remains at 96% with an average rental rate across the portfolio at $17 per square foot and with an average term of eight years. While the rental rates have softened somewhat from last year as a result of the slow economy we were largely insulated from these negative conditions as a result of our long-term leases with high-quality tenants and an aggressive lease renewal program.
- *Strengthened the company's position as a leading office property company in Canada* with the sale of non-core retail properties for net proceeds of $147 million. The one remaining non-core retail asset is expected to be sold in early 2003.
- *Furthered re-development initiatives at Hudson's Bay Centre in Toronto.* BPO Properties owns 25% of this project and is actively managing the redevelopment of this 35-storey 535,000 square foot office tower atop a retail complex connected to Canada's busiest subway intersection. Following the acquisition of our 25% interest in 2001, we've renovated the exterior and public areas of the office building and retail component, created new entrances to the retail complex and attracted new retail tenants. We are also in the process of leasing the office tower, which was substantially vacant on acquisition. The property is currently 55% leased, and we plan to significantly increase the occupancy rate in 2003.
- *Generated significant returns on capital* through a joint venture agreement with a residential condominium developer on the prestigious retail/condominium development No. 10 Bellair. Located in the heart of Toronto's upscale Yorkville area, BPO Properties provided the land and retail leasing expertise to this project. This development is nearing completion with over 95% units sold and retail occupancy at 100%. The disposition of the retail and parking component is planned in 2003.
- *Improved tenant service program.* We successfully introduced a 24 / 7 service program for tenants across our portfolio which features a single telephone number, 310-SERV, and on-line access to a call centre across Canada for building-related inquiries. We also launched a program standardizing and automating the parking garages across our portfolio through a single supplier, contributing to a increase in net income for shareholders.

Positioned for Continued Growth

A strong tenant base and long-term lease profile with contractual rental rate step-ups provide us with a solid foundation upon which to continue delivering on our financial and operating targets.

FOCUS ON VALUE THROUGH ACTIVE CAPITAL MANAGEMENT

BPO Properties creates value for shareholders by actively managing the capital entrusted to us. Very simply, we acquire premier office properties for value, actively manage the assets to increase occupancy and maximize cash flow streams, and then refinance and/or sell partial interests to investment partners seeking stable returns. We then reinvest the capital in higher return opportunities while maintaining our strong market presence.

Exchange Tower

We remain focussed on four key strategic priorities:

- *Driving value from our existing properties* through proactive leasing and select redevelopment initiatives to maintain the quality of our portfolio. An example of this kind of initiative is the conversion of the retail space to office space at our Queens Quay project this year which increased rental rates significantly and increased our occupancy to 93%.
- *Active capital management*, including refinancing and the sale of partnership interests in mature properties. BPO Properties' strategy of recycling capital in mature properties provides opportunities to invest at higher returns that match our investment approach.
- *Disciplined acquisitions and development* in our core office markets where returns are sufficient. We invest in supply-constrained, high growth markets where we have operating expertise and market leadership to create long-term value. In Toronto, we will continue to seek a quality tenant to launch our Bay-Adelaide development. As well, we are focussed on completing the redevelopment and repositioning of the Hudson's Bay project. In Calgary, our recent 20% acquisition of the premier property, Gulf Canada Square, further enhances our market presence in downtown Calgary.
- *Progressive tenant services and state-of-the-art technical infrastructure* to solidify the company's competitive position and maintain a stable and satisfied tenant base. BPO Properties strives to remain in the forefront of service for tenants, reducing costs and delivering operating efficiencies.

Positive Outlook

We are confident that BPO Properties' focussed strategy and financial strength will continue to provide growth to our shareholders through economic cycles.

I would like to thank all of our shareholders, tenants and business partners for their continued support of the company. And a special thanks goes to our employees for their hard work and innovative ideas, establishing us as a leader in the Canadian real estate industry. We look forward with confidence to the challenges and opportunities ahead.

On behalf of the Board,

David D. Arthur
President and Chief Executive Officer

February 25, 2003

Acquisition Profile	Portfolio Activity	Refinancing	Partnerships	Returns
1997: - Acquired 100% of the 1.1 million square foot, 36-storey tower office complex with 15% vacancy for $139 million or $137 per square foot	***1997 – 1998:*** - Leased to 96%, including a 20-year lease with the Toronto Stock Exchange - Completed redevelopment and remerchandising of the retail concourse and lobby areas	***1999 – 2001:*** - Refinanced with a $140 million investment grade, fixed rate 13-year mortgage, equivalent to 100% of total acquisition cost - Leased to 98% with high-quality tenants	***2002:*** - Sold 50% interest based on gross value of $320 million	***Over 30% IRR***

PROPERTIES PORTFOLIO


Exchange Tower


Queen's Quay Terminal


HSBC Building


Bankers Hall


Petro-Canada Centre


Fifth Avenue Place

Property Name	Leased	Major Tenants	Net Rentable Area (thousands sq. ft.)	Percentage Owned
OFFICE PROPERTIES				
Toronto, Ontario				
Exchange Tower and TSE Pavilion	98.0%	Toronto Stock Exchange, Weir & Foulds, Department of Justice, Altamira/National Bank of Canada	1,029	50%
Atrium on Bay	90.6%	CIBC, Bell Canada, Alcohol & Gaming Commission	1,051	50%
Queen's Quay Terminal	92.6%	Labatt, CIT Group, Noranda, Ammirati Puris Lintas	504	100%
HSBC Building	92.1%	HSBC, Siebel Systems	194	100%
105 Adelaide Street West	99.5%	Lombard General Insurance, HSBC, Markel Insurance	184	100%
20-22 Front Street West	99.2%	CIBC	144	100%
Bay-Adelaide Centre(1)			1,266	50%
Hudson's Bay Centre(2)			797	25%
Calgary, Alberta				
Bankers Hall	94.1%	Canadian Natural Resources, EnCana Corporation, Talisman Energy, CIBC, Bennet Jones, RBC Financial Group	2,181	50%
Petro-Canada Centre	98.5%	Petro-Canada, Precision Drilling, Bell West	1,732	50%
Fifth Avenue Place	99.8%	Imperial Oil, Anadarko Canada, Enbridge, Westcoast Energy	1,475	50%
Gulf Canada Square	98.8%	Conoco Canada, CP Rail, Baker Hughes	1,125	20%
Vancouver, British Columbia				
Royal Centre	94.5%	RBC Financial, Lang Michener, Timberwest Forest, Bull Housser	595	100%
Parking and other			2,126	53%
Total office properties	96.3%		14,403	53%
RETAIL PROPERTIES				
Merivale Place, Nepean (Ottawa), ON	100.0%	Home Outfitters, Winners, Scotiabank	149	100%
Total portfolio	96.3%		14,552	
Less: proportionate share owned by others			(6,834)	
BPO's net effective ownership interest	96.5%		7,718	53%

(1) Development opportunity
(2) Property under redevelopment

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATIONS

Introduction

BPO Properties Ltd. is a leading real estate investment company focussed on ownership and value enhancement of premier commercial office properties in select markets in Canada. The company's objective is to realize superior financial returns for its shareholders by enhancing the value of its real estate assets and by making opportunistic investment in new assets.

Assets

OVERVIEW

The company's assets are comprised primarily of commercial office properties located in Canada. Total assets declined by 1% to $1.98 billion, largely as a result of the sale of 50% interests in two office properties and the disposition of non-core retail assets, offset by surplus cash generated from property dispositions pending reinvestment. Total office property assets declined by 19% due to the disposition of 50% interests in Bankers Hall in Calgary and Exchange Tower in Toronto. A summary of these assets at December 31 is as follows:

Assets

(millions)	**2002**	**% of Total**	2001	% of Total
Operating properties				
Office	**$ 934**	**83%**	$ 1,160	80%
Retail	**10**	**1%**	139	10%
Development	**178**	**16%**	149	10%
	1,122	**100%**	1,448	100%
Other assets				
Cash and cash equivalents	**667**		393	
Future income taxes	**74**		106	
Loans receivable	**74**		31	
Other	**39**		23	
	$ 1,976		$ 2,001	

COMMERCIAL PROPERTIES

Commercial properties continue to increase as a proportion of the company's assets, and now represent 90% of the asset base excluding cash on a book value basis. The commercial property portfolio is comprised of interests in 19 properties with a book value of $1.1 billion at December 31, 2002. This compares with 21 properties and a book value of $1.4 billion at December 31, 2001. A listing of the significant properties in the portfolio is provided on the opposite page.

The following table summarizes the real estate portfolio at December 31:

Commercial properties

	Number of Properties	Net Rentable Area(1) (thousands sq. ft.)	Book Value (millions)
2002			
Office	**15**	**6,457**	**$ 934**
Retail	**1**	**149**	**10**
Development	**3**	**1,112**	**178**
Total	**19**	**7,718**	**$ 1,122**
2001			
Office	13	7,540	$ 1,160
Retail	5	1,805	139
Development	3	1,092	149
Total	21	10,437	$ 1,448

(1) Net effective ownership interest

OFFICE PROPERTY PORTFOLIO

The company's premier office portfolio is located primarily in the downtown cores of Toronto, Calgary and Vancouver.

The consolidated carrying value of the company's interest in 6.5 million square feet of rentable area is approximately $145 per square foot, significantly less than the estimated replacement cost of these assets. The average size of the company's major office properties is one million square feet of rentable area.

Occupied and committed space in the office portfolio increased from 95.8% at January 1, 2002 to 96.3% at December 31, 2002 due to the leasing of the Bankers Hall complex which began the year with a vacancy of 261,000 square feet. Leasing activity throughout the portfolio during 2002 totalled 1.2 million square feet.

The company's office portfolio features a high-quality tenant base with an industry profile as follows:

Office properties tenant profile

Oil and gas		44%
Anadarko Canada	Imperial Oil	
Canadian Natural Resources	Petro-Canada	
Conoco Canada Resources	Precision Drilling Corporation	
Enbridge Inc.	Talisman Energy	
EnCana Corporation	Westcoast Energy	
Financial services		24%
Altamira/National Bank of Canada	Lombard General Insurance	
CIBC	RBC Financial Group	
HSBC	CIT Group	
Professional services		9%
Bennett Jones	Fraser Milner	
Blake Cassels	Weir & Foulds	
Government and regulatory		8%
Public Works Canada	Toronto Stock Exchange	
Other		15%
Bell West	Labatt	
CP Rail	Noranda	
		100%

The lease maturities in the office portfolio average approximately 5% annually over the next five years. The lease maturity of the company's office portfolio by major market is as follows:

Office profile

	Toronto		Calgary/Vancouver		Total	
(thousands)	Sq. ft.	%	Sq. ft.	%	Sq. ft.	%
Available	114	5%	115	3%	229	4%
2003	89	4%	108	3%	197	3%
2004	168	8%	97	2%	265	4%
2005	275	12%	174	4%	449	7%
2006	121	6%	225	5%	346	5%
2007	251	11%	164	4%	415	6%
2008 and beyond	1,192	54%	3,364	79%	4,556	71%
	2,210	100%	4,247	100%	6,457	100%

Office rental rates remained strong during 2002, reflecting stable economic conditions in Toronto and the effect of the strong oil and natural gas industry in Calgary. At December 2002, the overall office vacancy rates in downtown Toronto and Calgary were 10% and 14% respectively,

with Class AAA vacancy rates at 5.8% and 7.0% respectively. As leases expire, the company expects to capitalize on the positive market conditions that exist to increase occupancy and in-place rental rates throughout the portfolio. In-place rental rates stood at an average of $17 per square foot, a 33% discount from the market rate for similar space and services, as summarized below:

Office rental rates

(per sq. ft.)	Current Net Rent	Market Net Rent
Toronto	$ 17	$ 27
Calgary	$ 17	$ 23

OFFICE ACQUISITIONS, DISPOSITIONS AND REDEVELOPMENT

In March 2002, the company sold an undivided 50% interest in Exchange Tower in Toronto based on a gross value of $320 million, generating proceeds of $90 million, net of non-recourse property debt, and a gain of $65 million.

In August 2002, the company sold a 50% interest in its Bankers Hall complex in Calgary based on a gross value of $608 million. This transaction generated net proceeds of $113 million and a gain of $31 million. In June 2001, following the refinancing of Fifth Avenue Place in Calgary, the company sold a 50% interest in the property based on a gross value of $275 million, generating a gain of $49.5 million. These transactions represent the culmination of the repositioning of the Calgary office portfolio.

In February 2001, a 50% interest in the Bay-Adelaide Centre was acquired. This development site, located at the corner of Bay and Adelaide Streets in downtown Toronto, is zoned for 2.1 million square feet, which includes a 1.2 million square foot office complex. Substantial infrastructure exists on the site and includes completed in-ground construction, a 1,100-stall parking garage, a six-storey elevator core, and a heating and cooling infrastructure. Due to this existing infrastructure, construction costs to complete development will approximate $250 per square foot, significantly less than building a similar quality project. This will also be the next major office project developed in the downtown core and will launch when major tenancies are secured. The development site also includes an adjacent block where the company anticipates the construction of a hotel and/or residential project of approximately 800,000 square feet, which will be sold to or joint ventured with a residential developer.

In March 2001, the company acquired a 25% interest in the Hudson's Bay Centre in Toronto, a redevelopment project at the corner of Bloor and Yonge Streets in Toronto, one of Canada's busiest intersections. Redevelopment and leasing is currently underway for the 35-storey, 535,000 square foot office tower atop a 557,000 square foot retail mall, The Bay department store and a parking complex.

RETAIL PROPERTY PORTFOLIO

At year end, the retail portfolio was comprised of one community shopping centre, totalling 149,000 square feet of rentable area. This property is expected to be sold in early 2003.

During 2002, the company continued to execute its strategy of redeveloping select properties in its retail portfolio to enhance the value of the portfolio and position them for sale. Dispositions in 2002 included Londonderry Mall in Edmonton, and three community centres in the Greater Toronto, Ontario area. These dispositions generated net proceeds of $147 million. Dispositions during 2001 included the Bramalea City Centre in Brampton, Ontario and both Sevenoaks Mall and West Oaks Mall in Vancouver, British Columbia.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents increased to $667 million during 2002 as proceeds from the sale of partial interests and refinancings were retained pending reinvestment. This balance represents a significant advantage to the company as it has sufficient capital to implement its capital plans without the need to raise capital.

LOANS RECEIVABLE

The company had $74 million in loans receivable at December 31, 2002, compared with $31 million at December 31, 2001. This increase is due primarily to the addition of vendor take-back financing provided on the sale of commercial properties. Contractual maturity of the gross loans receivable in the loan portfolio at December 31, 2002 is as follows: 2003 – $1 million; 2004 – $4 million; 2005 – nil; 2006 – nil; 2007 – $49 million; and thereafter – $20 million.

Results of Operations

In 2002, funds from operations before gains was $3.98 per share, an 8% increase over $3.68 in 2001. Including the gains realized on the sales of 50% interests in Exchange Tower and Bankers Hall, funds from operations totalled $220 million or $7.34 per share, compared with $173 million or $5.42 per share in 2001. Net income in 2002 was $167 million or $5.47 per common share, compared with $107 million or $3.12 per common share in 2001. This increase in net income over 2001 is due in part to $96 million of gains on dispositions of properties included in income in 2002 compared with $50 million of gains included in 2001. The increase in per share amounts are a result of improved current year operating performance in the commercial property portfolio, increased operating income due to acquisitions of commercial properties, and the lower cost of capital on the company's preferred shares.

Net operating income

(millions)	**2002**	2001
Commercial properties		
Revenue	**$ 227**	$ 305
Expenses	**113**	152
Net rental income	**114**	153
Loans and investment income	**66**	42
	$ 180	$ 195

Revenue from commercial properties includes rental revenues earned from tenant leases, percentage rent and additional rent from the recovery of operating costs and property taxes. Revenue from commercial properties totalled $227 million in 2002, a decrease of $78 million or 26% compared with 2001. The decrease in revenue from 2001 was a result of sales of 50% interests in core office properties and dispositions of non-core retail assets, offset by increases generated through leasing in the portfolio, increased rental rates on lease rollovers and additional revenues related to acquisitions.

Commercial property operating expenses are comprised of the costs of direct property operations including property taxes, employees' salaries, utilities, insurance, and other costs of ownership such as professional fees and capital taxes. Property expenses decreased by $39 million to $113 million, the result of property dispositions during the year. Net rental income decreased by $39 million to $114 million in 2002, a decrease of 25%. Same property net operating income increased by $7 million to $107 million or 7% over 2001. Higher occupancies and net rental rates in the office portfolio have resulted in strong revenue growth and operating cost recoveries.

In 2002, loans and investment income increased by $24 million due to higher average cash and equivalent balances as a result of asset sales, and further realizations on the company's loan portfolio and other assets above their carried value.

Expenses

(millions)	**2002**	2001
Interest expense	**$ 48**	$ 64
Administrative	**5**	5
Large corporation tax	**3**	3
	$ 56	$ 72

Interest expense declined to $48 million in 2002 from $64 million in 2001 due to a decrease in mortgages and other borrowings as a result of the sale of partial interests in our core properties. During 2002, interest capitalized on development projects totalled $5 million (2001 – $4 million). Administrative expenses consist primarily of fees paid to a related company for operating the company, professional fees and costs related to its public company status. As a result of the combination of management resources with Brookfield Properties Corporation ("Brookfield") in 2000, the company's largest shareholder, administrative expenses were reduced by almost 50% from $9 million in 2000 to $5 million in 2002 and 2001. Administrative expenses consist largely of an asset management fee of $5 million (2001 – $5 million) paid to Brookfield in relation to a cost recovery of salaries and other items incurred by Brookfield. Large corporation tax paid totalled $3 million during 2002, consistent with 2001.

Liquidity and Capital Resources

The company's capital structure is summarized as follows:

Capital structure

(millions)	2002	%	2001	%
Mortgages and other borrowings	**$ 696**	**37%**	$ 865	46%
Shareholders' equity				
Preferred shares	**382**	**20%**	382	20%
Common shares	**800**	**43%**	644	34%
	1,182	**63%**	1,026	54%
	$ 1,878	**100%**	$ 1,891	100%

MORTGAGES AND OTHER BORROWINGS

Mortgages payable and other borrowings generally represent property-specific debt where recourse is limited to the underlying asset. At December 31, 2002, the company's debt profile included a weighted average interest rate of 7%, an interest coverage ratio of 3.6 times and an average maturity of nine years.

CREDIT FACILITIES

The company has over $100 million of short-term operating lines of credit available to meet short-term operating liquidity requirements. In addition, facilities are in place permitting the company to issue letters of credit.

SHAREHOLDERS' EQUITY

The company is conservatively capitalized with a debt to capitalization ratio of 40% and over $1 billion of preferred and common share equity. The preferred share capital makes up 20% of the company's total capitalization and provides low-cost leverage to common shareholders.

DIVIDENDS

In 2002, the company paid $11 million of preferred share dividends (2001 – $18 million). The company's current intention is to retain the balance of earnings for reinvestment. As a result, it is not expected that dividends will be paid on common shares at the current time.

LIQUIDITY

For the year ended December 31, 2002, funds from operations and gains totalled $220 million. Capital was generated from property dispositions, and utilized in enhancing existing properties and the acquisition of land leases under existing properties and development properties. Despite new financings during 2002, the company's debt-to-capital ratio remains more conservative when compared to similar companies in the real estate industry. The company has sufficient sources of liquidity in 2003 to fund planned capital expenditures, tenant improvements and potential acquisitions, as well as to service its debt.

Risk Management

The company is exposed to a number of risks in the normal course of its business operations.

INDUSTRY AND MARKET RISK

The company, as an owner of commercial properties, faces risks associated with the commercial real estate industry. Risk factors include general and local economic conditions, the financial condition of tenants, trends in the retail industry, the ability to lease space, the ability to secure economic net rents, the availability and cost of financing and environmental risks. Risk inherent in the portfolio is mitigated by focussing investment efforts in high-quality properties located in major markets where management has knowledge and expertise.

LEASE RISK

The company manages the risk arising from lease maturities by managing lease terms for low exposure in any single year, as indicated in the following table:

Lease maturity profile

(thousands, sq. ft.) Net effective ownership interest	Available	2003	2004	2005	2006	2007	2008 & Beyond	Total Leasable
Office	229	197	265	449	346	415	4,556	6,457
Retail	—	4	—	6	—	—	139	149
	229	201	265	455	346	415	4,695	6,606

The company also ensures that it has minimal exposure to any single tenant and thus is not dependent on the operating performance of any one tenant.

ACQUISITION AND DEVELOPMENT RISK

The company will focus on the acquisition of high-quality office properties in major markets in Canada or properties that provide value enhancement opportunities. Such acquisitions will be completed only if the returns add net asset value to the company. The risk of not achieving expected returns following acquisitions is mitigated by a comprehensive due diligence program prior to commitment. The company's development projects have historically focussed on redevelopment of existing properties. Development will only be undertaken where there is pre-leasing at levels which enable construction financing to be put in place. Risks associated with these projects are managed by aggressively negotiating and monitoring construction contracts and ensuring lease credit risk is minimized.

ENVIRONMENTAL RISK

The company has policies and procedures in place to help minimize losses arising from potential environmental exposure. The company exercises high standards of due diligence when acquiring properties or when assuming control of properties through foreclosure. To the best of management's knowledge, the company's owned properties are free from material environmental risks.

LITIGATION RISK

The company manages a significant litigation portfolio related to operations as a trust company prior to September 1, 1993, in addition to litigation from the normal course of business. The company has also received a substantial number of indemnity claims resulting from the sale of its former operations. Although the company believes that adequate provisions have been made to cover the outcome of these proceedings, the ultimate outcome of litigation always bears an element of uncertainty.

INSURANCE COVERING ACTS OF TERRORISM

BPO Properties has insurance covering acts of terrorism for up to $450 million of damage and business interruption costs. BPO Properties continues to seek additional coverage for acts of terrorism equal to the full replacement cost of its assets, however, until this type of coverage becomes commercially available on an economically reasonable basis or government programs assist the insurance industry to re-establish this type of coverage, any damage or business interruption costs as a result of terrorism could result in a material cost to the company.

Outlook

The company believes that the positive fundamentals in the Canadian commercial real estate industry, and the markets in which the company's properties are located, will continue into 2003. In the office sector, the vacancy rate is at a 10-year low in Toronto, one of the primary markets in which our assets are located. In Calgary, the robustness of the oil and natural gas industry, despite higher vacancies from new properties which were recently added to the market, provide a positive outlook for 2003. With limited future development activity, vacancy rates are expected to remain low.

During 2003, the company will continue to focus on maximizing the value of existing assets by increasing occupancy, realizing increases in rents on rollovers of leases, proactively taking back below-market leases and re-leasing at higher rates, pursuing redevelopment opportunities and taking advantage of other income-generating opportunities in the existing portfolio. The company will also continue to pursue growth through acquisitions within the office portfolio, if the opportunities meet the company's investment criteria.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of BPO Properties Ltd. is responsible for the preparation, content and integrity of the consolidated financial statements and all other financial information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgements where appropriate. Financial information presented elsewhere in this Annual Report is consistent with that in the financial statements.

The management of the company has established and maintains a system of internal controls that provides reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, the company is in compliance with all applicable laws and that the financial records are reliable for preparing financial statements. The effectiveness of and compliance with this system of internal controls is monitored by management.

The Board of Directors oversees management's responsibility for financial reporting through its Audit Committee, currently comprised of three directors who are not officers or employees of the company. The Audit Committee meets regularly with management and the external auditors to review auditing and accounting matters, including the adequacy of the system of internal controls and the quality of the company's financial reporting. The auditors have full and unrestricted access to the Audit Committee.

The consolidated financial statements have been audited by Deloitte & Touche LLP, the independent auditors, in accordance with Canadian generally accepted auditing standards.

David D. Arthur
President and Chief Executive Officer

Steven J. Douglas
Senior Vice President and Chief Financial Officer

AUDITORS' REPORT

To the Shareholders,

We have audited the consolidated balance sheets of BPO Properties Ltd. as at December 31, 2002 and 2001 and the consolidated statements of income, retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Toronto, Canada
February 25, 2003

Chartered Accountants

CONSOLIDATED BALANCE SHEETS

December 31 (millions)	Note	2002	2001
Assets			
Commercial properties	2	**$ 1,122**	$ 1,448
Cash and cash equivalents	10	**667**	393
Future income taxes	7	**74**	106
Loans receivable	4	**74**	31
Other assets		**39**	23
		$ 1,976	$ 2,001
Liabilities and Shareholders' Equity			
Mortgages and other borrowings	5	**$ 696**	$ 865
Accounts payable and other liabilities		**98**	110
Shareholders' equity	6	**1,182**	1,026
		$ 1,976	$ 2,001

See accompanying notes to the consolidated financial statements

Approved by the Board,

Robert J. Harding
Director

David D. Arthur
Director

CONSOLIDATED STATEMENTS OF INCOME

years ended December 31 (millions, except per share amounts)	Note	**2002**	2001
Commercial properties			
Revenue		**$ 227**	$ 305
Expenses		**113**	152
		114	153
Loans and investment income		**66**	42
		180	195
Expenses			
Interest expense		**48**	64
Administrative expenses and large corporation tax	7	**8**	8
Income before the following items		**124**	123
Gains on dispositions of properties		**96**	50
Income before undernoted		**220**	173
Depreciation and amortization		**22**	31
Future income taxes and other non-cash items, net	8	**31**	35
Net Income		**$ 167**	$ 107
Net income per common share	6	**$ 5.47**	$ 3.12

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

years ended December 31 (millions)	Note	**2002**	2001
Retained earnings, beginning of year		**$ 565**	$ 476
Net income		**167**	107
Preferred share dividends	6	**(11)**	(18)
Retained earnings, end of year		**$ 721**	$ 565

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW

years ended December 31 (millions)	**2002**	2001
Operating Activities		
Net income	**$ 167**	$ 107
Add (deduct):		
Depreciation and amortization	**22**	31
Future income taxes	**31**	37
Gains on dispositions of properties	**(96)**	(50)
Tenant improvements	**(27)**	(33)
Other working capital	**(46)**	109
	51	201
Investing Activities		
Commercial properties		
Acquisitions of properties	**(51)**	(153)
Development and redevelopment expenditures	**(34)**	(80)
Dispositions of properties	**293**	196
	208	(37)
Financing Activities		
Debt arranged	**37**	602
Debt amortization and repayments	**(11)**	(443)
Preferred share dividends paid	**(11)**	(18)
	15	141
Increase in cash and cash equivalents	**274**	305
Cash and cash equivalents, beginning of year	**393**	88
Cash and cash equivalents, end of year	**$ 667**	$ 393

See accompanying notes to the consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

BPO Properties Ltd. is incorporated under the Canada Business Corporations Act.

(a) Financial Statements – The consolidated financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. The company's accounting policies and its financial disclosure are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies.

(b) Basis of Consolidation – The consolidated financial statements of the company include the accounts of all its subsidiaries and its proportionate share of the assets, liabilities, revenues and expenses of joint ventures.

(c) Commercial Properties – Real estate properties held for investment purposes are carried at the lower of depreciated cost and estimated net recoverable amount. Cost includes direct costs and interest incurred during acquisition or development of these properties.

Real estate properties held for investment are depreciated using the sinking-fund method at a rate of 5% over their estimated useful lives, to a maximum of 60 years. Under this method, depreciation is charged to income in increasing annual amounts to fully amortize the properties over their estimated useful lives. Building improvements are depreciated on a straight-line basis over terms appropriate to the expenditures.

Costs are capitalized on properties under development, including all direct expenditures, interest on debt and certain administrative expenses. Revenues earned during the development period are treated as a reduction of costs.

Costs to lease properties are capitalized and amortized over the terms of the related leases.

Rental revenue includes contractual and percentage rents and recoveries of operating expenses, including property, capital and large corporation tax. Revenue from properties under development is recognized at the earlier of attaining a break-even point in cash flow after debt service or at the expiration of a reasonable time following substantial completion.

(d) Loans Receivable – Loans are stated at the principal amount outstanding or at the company's acquisition cost plus accrued interest less a provision for losses.

Interest income is recorded on an accrual basis except on loans classified as impaired. Loans are classified as impaired when there is no longer reasonable assurance as to the ultimate collectibility of contractual principal or interest or when interest or principal is 90 days past due, unless the loan is both well secured and in the process of collection. Loans that are determined to be impaired are valued at the lower of estimated realizable amount based on the present value of expected future cash flows discounted at the interest rate inherent in the original loan, or at the fair value of the security underlying the loan less disposition costs.

When a loan is classified as impaired, recognition of interest in accordance with the contractual terms of the loan ceases. Income on impaired loans is reported as the change in the net present value of future cash flows. Loans are restored to an accrual basis when principal and interest payments are current and there is no longer any reasonable doubt as to ultimate collectibility.

Real estate assets acquired in settlement of loans and held for resale are carried at the lower of estimated realizable value and the carrying value of the loan. Any excess of carrying value of the loan over estimated realizable value of the asset is charged to the provision for losses. Operating results and any gains or losses on disposal of these assets are included in income from loans and investments.

A specific provision for loss is maintained in an amount currently considered appropriate to absorb all known and probable credit-related losses in the company's loan portfolio. Provisions represent amounts required to reduce the carrying value of an impaired loan to its estimated realizable amount.

(e) Income Taxes – The company accounts for income taxes under the liability method. Under this method, future income tax assets and liabilities are calculated based on: (i) the temporary differences between the carrying values and the tax bases of assets and liabilities; and (ii) unused income tax losses are measured using substantively enacted income tax rates and laws that are expected to apply in the future as the temporary differences reverse and the income tax losses are used. See Note 7 for additional information on the composition of the income tax asset and expense.

(f) **Use of Estimates** – The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires estimates and assumptions that affect the carried amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

2. Commercial Properties

(millions)	2002	2001
Office properties	$ 993	$ 1,211
Retail properties	11	149
Development properties	178	149
Accumulated depreciation	(60)	(61)
	$ 1,122	$ 1,448

During 2002, costs capitalized on development projects were comprised of direct construction costs of $29 million (2001 – $19 million), administrative expenses of nil (2001 – $1 million) and interest costs of $5 million (2001 – $4 million). The estimated costs to complete projects under development total $17 million, of which $12 million is committed at December 31, 2002 (2001 – $23 million committed).

Minimum amounts payable over the next five years, and in the aggregate thereafter in respect of ground leases related to commercial real estate properties, which have an aggregate net book value of $156 million, are as follows: 2003 – $4 million; 2004 – $4 million; 2005 – $4 million; 2006 – $4 million; 2007 – $4 million; and thereafter – $19 million. Amounts payable under ground leases ranging from 10 to 889 years are included in the above amounts for 10 years.

3. Interests in Joint Ventures

The following amounts included in the consolidated financial statements represent the company's proportionate interests in commercial office property-related joint ventures:

(millions)	2002	2001
Assets	$ 926	$ 443
Liabilities	565	220
Operating revenues	107	45
Operating expenses	54	22
Net income	22	13
Cash provided by operating activities	24	30
Cash provided by financing activities	7	6
Cash used in investing activities	(45)	(32)

The company, through its subsidiaries, is contingently liable for the obligations of the joint ventures. In each case, the assets of the joint venture are available for the purpose of satisfying such obligations.

4. Loans Receivable

(millions)	2002	2001
Loans receivable	$ 76	$ 36
Accrued interest	5	2
Provisions	(7)	(7)
	$ 74	$ 31

During the year, vendor take-back financing was provided on the disposition of certain commercial properties. The weighted average interest rate of loans receivable at December 31, 2002 is 11% (2001 – 10%).

5. Mortgages and Other Borrowings

(millions)	2002	2001
Mortgages payable and other borrowings	$ 696	$ 865

Mortgages payable have a weighted average interest rate of 7% at December 31, 2002 (2001 – 7.1%). Contractual mortgage principal repayments are as follows: 2003 – $14 million; 2004 – $50 million; 2005 – $52 million; 2006 – $12 million; 2007 – $56 million; and thereafter $512 million. The provisions attributable to mortgages payable limit the lenders' recourse upon default to the underlying asset except for one mortgage totalling $12 million (2001 – $12 million) which has recourse to the company. During the year, mortgages totalling $63 million (2001 – nil) were assumed in conjunction with the acquisition of certain commercial properties, and mortgages totalling $258 million (2001 – $272 million) were assumed by the purchaser in conjunction with the disposition of certain commercial properties.

The company maintains lines of credit which include a demand operating facility of up to $30 million which was fully drawn at December 31, 2002 and 2001. This facility bears interest at the bankers' acceptance rate plus 0.75% or at the prime rate. In addition, lines of credit include a revolving, unsecured credit facility of up to $75 million which was undrawn at December 31, 2002 and 2001. Interest on this facility is based on a bankers' acceptance rate plus 1%. Amounts drawn under the lines of credit have been netted against cash and cash equivalents.

6. Shareholders' Equity

The consolidated statement of changes in shareholders' equity is as follows:

	2002				2001			
(millions)	Preferred Shares	Common Shares	Retained Earnings	Total	Preferred Shares	Common Shares	Retained Earnings	Total
Balance, beginning of year	$ 382	$ 79	$ 565	$ 1,026	$ 382	$ 79	$ 476	$ 937
Net income	—	—	167	167	—	—	107	107
Preferred share dividends paid	—	—	(11)	(11)	—	—	(18)	(18)
Balance, end of year	$ 382	$ 79	$ 721	$ 1,182	$ 382	$ 79	$ 565	$ 1,026

Authorized share capital consists of 300,000 senior preferred shares, unlimited priority preferred shares, unlimited preferred shares issuable in series, unlimited common shares and unlimited non-voting equity shares. No senior preferred shares or priority preferred shares are issued and outstanding.

Preferred shares

		2002		2001	
		Number of Shares	Amount (millions)	Number of Shares	Amount (millions)
Cumulative redeemable preferred shares					
Series G	(a)	1,805,489	$ 45	1,805,489	$ 45
Series J	(b)	3,816,527	96	3,816,527	96
Series K	(c)	300	150	300	150
Series M	(b)	2,847,711	71	2,847,711	71
Series N	(d)	800,000	20	800,000	20
Total outstanding preferred shares			$ 382		$ 382

(a) Series G preferred shares are entitled to cumulative dividends at an annual rate equal to 70% of the average bank prime rate. The company may, at its option, redeem the shares at a price of $25 per share plus arrears on any accrued and unpaid dividends.

(b) Series J and M preferred shares are entitled to cumulative dividends at an annual rate equal to 70% of the average bank prime rate for the previous quarter. The company may, at its option, redeem the shares at a price of $25 per share plus arrears on any accrued and unpaid dividends.

(c) Series K preferred shares are entitled to cumulative dividends at the 30 day bankers' acceptance rate plus 0.4%. The company may, at its option, redeem the shares at a price of $500,000 per share plus an amount equal to all accrued and unpaid dividends.

(d) Series N preferred shares are entitled to cumulative dividends at the 30 day bankers' acceptance rate plus 0.4%. The company may, at its option, redeem the shares at $25 per share plus arrears on any accrued and unpaid dividends.

(e) Preferred share dividends totalling $11 million were paid in 2002 (2001 – $18 million).

(f) Total common shares issued and outstanding at December 31, 2002 and 2001 totalled 28,519,567 shares, which include 21,652,001 non-voting equity shares.

(g) Net income per common share has been calculated after the payment of preferred share dividends of $11 million (2001 – $18 million) using weighted average shares outstanding of 28,519,567 (2001 – 28,519,567). There are no dilutive instruments outstanding.

7. Income Taxes

The future income tax asset as at December 31 is comprised of the following:

(millions)	**2002**	2001
Future tax asset relating to operating and capital losses	**$ 40**	$ 66
Future tax asset relating to differences between tax and book basis	**34**	40
	$ 74	$ 106

At December 31, 2002, the company had non-capital income tax losses of approximately $269 million (2001 – $407 million) which are available to reduce taxable income of future years. These losses will expire over a seven year period up to the year 2009. The benefit of the tax losses, net of a valuation allowance, have been reflected in the future income tax asset.

The amount of non-capital losses and deductible temporary differences, for which no future income tax assets have been recognized, is $262 million. Future income tax expense consists of the following:

(millions)	**2002**	2001
Future income tax expense at combined Canadian federal and provincial income tax rate of 37.5% (2001 – 40.6%)	**$ 74**	$ 60
Change in Canadian income tax rates	**—**	23
Recognition of tax assets previously not recognized	**(22)**	(23)
Non-taxable portion of capital gains and other income	**(21)**	(23)
Future income tax expense	**$ 31**	$ 37

Large corporation tax of $3 million was paid during the year (2001 – $3 million) and is included in administrative expenses and large corporation taxes.

8. Future Income Taxes and Other Non-Cash Items, Net

Future income taxes and other non-cash items, net consist of the following:

(millions)	**2002**	2001
Future income tax expense (Note 7)	**$ 31**	$ 37
Recovery of provisions against loans receivable, and of other assets	**—**	(13)
Provisions, net of gains and other	**—**	11
	$ 31	$ 35

During 2001, the company recognized a recovery of $13 million relating to its loans receivable portfolio, and provisions for diminution in value on its remaining retail real estate portfolio was taken.

9. Segmented Information

The company operated during 2002 and 2001 primarily as an investor in commercial office and retail properties in Canada.

	Office Properties		Retail & Development Properties		Loans and Other		Total	
(millions)	**2002**	2001	**2002**	2001	**2002**	2001	**2002**	2001
Carrying value	**$ 934**	$ 1,161	**$ 188**	$ 288	**$ 854**	$ 552	**$ 1,976**	$ 2,001
Acquisitions	**51**	68	**—**	85	**—**	—	**51**	153
Capital investments	**10**	56	**35**	58	**—**	—	**45**	114
Property revenue	**$ 202**	$ 225	**$ 25**	$ 80	**$ —**	$ —	**$ 227**	$ 305
Property expenses	**101**	111	**12**	41	**—**	—	**113**	152
	101	114	**13**	39	**—**	—	**114**	153
Loans and other investment income	**—**	—	**—**	—	**66**	42	**66**	42
Operating income	**101**	114	**13**	39	**66**	42	**180**	195
Administrative expenses								
and large corporation tax	**(6)**	(6)	**(1)**	(2)	**(1)**	—	**(8)**	(8)
Interest expense	**(51)**	(52)	**4**	(6)	**(1)**	(6)	**(48)**	(64)
Gains on disposition of properties	**96**	50	**—**	—	**—**	—	**96**	50
Depreciation and amortization	**(21)**	(22)	**(1)**	(9)	**—**	—	**(22)**	(31)
Income before unallocated costs	**119**	84	**15**	22	**64**	36	**198**	142
Future income taxes and other non-cash items							**(31)**	(35)
Net income							**$ 167**	$ 107

10. Related Party Transactions

The company has retained the services of a subsidiary of Brookfield Properties Corporation ("Brookfield"), the company's principal shareholder, for the property management of some of its office and retail properties on contracts based on fair market value of services provided. The fees paid for these property management services totalled $6 million in 2002 (2001 – $8 million). During 2001, the company entered into an agreement with Brookfield to provide asset management services for the company's property portfolio. The fees paid for these services, determined on a cost-recovery basis, totalled $5 million (2001 – $5 million). The company had demand deposits of $682 million (2001 – $412 million) with Brookfield and a subsidiary of Brookfield's principal shareholder as at December 31, 2002. The deposits earn interest at market rates and are included in cash and cash equivalents. Interest earned on these deposits for the year ended December 31, 2002 amounted to $24 million (2001 – $9 million).

11. Risk Management and Financial Instruments

The company is exposed to financial risks that arise from the fluctuation in interest rates and changes in the credit quality of its borrowers and their tenants. The company manages these risks as follows:

(a) Interest Rate Risk – The assets and liabilities of the company have both fixed and floating interest rate components resulting in an exposure to interest rate movements. The company has not hedged all of its exposure to interest rates creating unmatched floating rate interest exposures which may affect the company's earnings in future periods. As at December 31, 2002, the company's floating rate assets exceeded its floating rate liabilities, including $382 million of floating rate preferred shares, by $258 million (2001 – liabilities exceeded assets by $31 million).

(b) Credit Risk – The company's business includes direct investments in commercial real estate and real estate-based lending activities. Credit risk arises from the possibility that borrowers may default on their obligations to the company or, with respect to the underlying real estate properties that secure these obligations, that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The company mitigates the risk of credit loss by limiting its exposure to any one group or borrower within prescribed limits and by ensuring that adequate security has been provided in support of loans.

(c) Market Risk – Investment returns are subject to a variety of risk factors both specific to individual investments and arising from general economic conditions.

(d) Fair Values – Fair values of assets and liabilities approximate amounts at which these items could be exchanged in a transaction between knowledgeable parties. The calculation of estimated fair value is based on market conditions at a specific point in time, in the respective geographic location based on the amount and timing of future cash flows and may not be reflective of future fair values. Changes in interest rates and investment risk are the primary causes of changes in the fair value of the company's financial instruments.

Cash and cash equivalents and securities have an aggregate fair value that approximates their carrying values on December 31, 2002 and 2001 due to their short-term nature.

Fair values of loans receivable are determined by the company by discounting the expected future cash flows of these loans at market rates for loans with similar terms and investment risks. At December 31, 2002, the fair value of loans receivable approximates their carrying value. Changes in the interest rate environment and investment risk in one or more of the markets, in which the underlying loan security is located, may result in significant changes in fair values.

Fair values of mortgages and other borrowings are determined by reference to current market prices for debt with similar terms and risks. At December 31, 2002, the fair value of mortgages and other borrowings is above the carrying value of these obligations by $32 million (2001 – $1 million). The difference between fair value and carrying value relates to changes in the general level of interest rates that have occurred since the debt was placed or assumed.

12. Commitments and Contingencies

The company extended certain warranties in connection with the sale of former Canadian and international operating companies, including warranties against certain ordinary course legal proceedings outstanding at the dates of sale. The company is involved in various legal actions, the outcome of which is indeterminable. In management's opinion, the consolidated financial statements include adequate provisions for warranties and litigation, based on information available at this time.

The company is contingently liable for letters of credit issued in the normal course of business in the amount of $17 million at December 31, 2002 (2001 – $25 million).

DIRECTORS AND OFFICERS

Directors

David D. Arthur
Toronto, Ontario
President and Chief Executive Officer
BPO Properties Ltd.

The Hon. William G. Davis, P.C., C.C., Q.C.
Toronto, Ontario
Counsel
Torys

Richard B. Clark
New York, New York
President and Chief Executive Officer
Brookfield Properties Corporation

Robert J. Harding, F.C.A.
Toronto, Ontario
Chairman, BPO Properties Ltd. and
Chairman, Brascan Corporation

C. Kent Jespersen
Calgary, Alberta
Chairman
La Jolla Resources International Ltd.

Robert J. McGavin
Aurora, Ontario
Corporate Director

Michael F.B. Nesbitt
Winnipeg, Manitoba
Chairman
Montrose Mortgage Corporation Ltd.

Officers

David D. Arthur
President and Chief Executive Officer

Steven J. Douglas
Senior Vice President and
Chief Financial Officer

Michael Zessner
General Counsel and Corporate Secretary

CORPORATE INFORMATION

Toronto Stock Exchange Ticker Symbols

Common Shares – BPP
Preferred Shares:
Series G – BPP.PR.G
Series J – BPP.PR.J
Series M – BPP.PR.M

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Shareholder questions relating to dividends, address changes and share certificates should be directed to The CIBC Mellon Trust Company.

Investor Relations

Investor Relations inquiries should be directed to the Investor Relations Department at 416-359-8593.

Copies of the Interim Statements and Annual Reports can be obtained from the Investor Relations Department or the company's website at www.bpoproperties.com.

Annual & Special Meeting

The Annual & Special Meeting of the Shareholders of the company will be held at the Bankers Hall Auditorium, Bankers Hall, 855 - 2nd Street S.W., Calgary, Alberta, on June 18, 2003 at 1:00 p.m. (MT) and will be webcast through the website at www.bpoproperties.com.

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